



The Scottish Parliament
Pàrlamaid na h-Alba

WELFARE REFORM COMMITTEE

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Dear Mary

Scottish Government's Draft Budget 2014-15

I am writing to you in relation to the Scottish Government's Draft Budget 2014-15. I wish to highlight to your Committee where it is felt that welfare reform may have a budgetary impact within your Committee's remit.

As you will be aware welfare reform has far-reaching impacts on many aspects of the Scottish Budget. Research commissioned by the Committee found that when the present welfare reforms have come into full effect they will take more than £1.6bn a year out of the Scottish economy. This is equivalent to around £480 a year for every adult of working age. Annexe A details the key dates for welfare reform implementation, highlighting that the impact of the majority of welfare changes is likely to be felt by the 2014-15 financial year.

The Welfare Reform Committee expects its scrutiny of the Scottish Government's Draft Budget 2014-15 to focus primarily on the clear budget lines of the Scottish Welfare Fund and Council Tax Reduction. However, welfare reform is clearly a cross-cutting issue. We are keen to ensure that your committee is aware of the significant impacts that it is likely to have on the departmental budgets that fall within your committees remit. In order to assist this process Annexe B outlines some of the major impacts we have been made aware of and where they sit in terms of your committee remit.

If you require any further information on these impacts, please do not hesitate to contact me or the Clerks to the Committee.

Yours sincerely,

**MICHAEL MCMAHON MSP
CONVENER**

Annexe A: Key dates for welfare reform implementation

Date of implementation	Welfare reform
April 2013	<ul style="list-style-type: none"> • Bedroom Tax • Council Tax Reduction • Scottish Welfare Fund • Benefits Uprating • Armed Forces Independence Payment • Benefit Cap – roll out in two stages starting with authorities with smaller number of cases, all relevant households to be capped by September 2013.
June 2013	<p>Disability Living Allowance to Personal Independence Payments</p> <ul style="list-style-type: none"> • All new claims across the country transferred to PIP from June 2013. (New claims from a small number of English regions from April 2013) • Those with fixed claim awards coming to an end or just turning 16 will be invited to claim PIP from October 2013. • All remaining DLA claimants will be invited to claim PIP from October 2013.
October 2013	<p>Universal Credit –</p> <ul style="list-style-type: none"> • Phase 1 April 2013: Pathfinder Universal Credit started in 4 pathfinder authorities with single jobseekers (Tameside, Warrington, Oldham and Wigan) • Phase 2 October 2013-March 2014: Extended coverage of Universal Credit rolled out across Great Britain in stages • Phase 3+ April 2014- 2017: General coverage Universal Credit national implementation due to be completed by end of 2017
Early 2014	<p>Further Regulations for Scottish Controlled Passported Benefits</p> <ul style="list-style-type: none"> • Interim arrangements for Scottish controlled passported benefits already in place.

Annexe B: Major impacts of welfare reform and committee remits

1. Issue: Universal Credit will be paid to claimants not direct to landlords as happens in over 90% of cases at present.

Impact:

- Potential loss of income for social landlords
- Cost of borrowing for social landlords increases
- Evictions for non-payment increase boosting homelessness
- Increased costs to local authorities in rehousing homeless

**Committees: Infrastructure and Capital Investment
Local Government and Regeneration**

2. Issue: assessments of those on incapacity benefit and disability living allowance will move many more into situation where they must actively seek work

Impact:

- Big increase in demand for 'employability' services

Committee: Economy, Energy and Tourism

3. Issue: Big changes in rules which affect almost everyone on benefits.

Impact:

- Big increase in demand for advice from local authority housing and social work services, and charities (e.g. Citizens Advice Bureaux)
- Big increase in demand for support for appeals
- Increase in demand for medical assessments from GPs to support appeals

**Committee: Local Government and Regeneration
Health and Sport Committee**

4. Issue: Universal Credit will only be paid into bank accounts

Impact:

- Requirement for many claimants to acquire accounts
- Increased demand for money management skills

Committee: Economy, Energy and Tourism

5. Issue: Universal Credit will be paid monthly in arrears

Impact:

- Increased demand for crisis loans (Social Fund)
- Increased risk of indebtedness (see 1. above)
- Increased demand for money management skills

Committee: Local Government and Regeneration

6. Issue: Tenants will lose some benefit for 'over-occupying' property – the "bedroom tax"

Impact:

- Reduced income for tenants
- Increased demand for smaller properties from social landlords
- Higher tenant movement and need for adaptations
- Concern of increased rent arrears and the knock on impact of this on other service areas

Committee: Infrastructure and Capital Investment

7. Issue: all Universal Credit will be paid to one person in household
Impact: <ul style="list-style-type: none"> • Concern that the majority of payments will go directly to men, some of which will have different spending priorities to women. 'Purse to wallet' transfer of income?
Committee: Equal Opportunities

8. Issue: welfare reform will differentially impact on different groups
Impact: <ul style="list-style-type: none"> • Single parents will be the biggest losers • Most single parents are women • Disabled most affected by changes to Incapacity benefit and Disability Living Allowance. • Some groups will experience more cumulative impacts
Committee: Equal Opportunities

9. Issue: welfare reform introduces more conditionality and sanctions
Impact: <ul style="list-style-type: none"> • More claimants likely to lose benefits • Increased demand for crisis loans • More children taken into care?
Committee: Local Government and Regeneration Education and Culture

10. Issue: Number of claimants moved to reduced or no benefits
Impact: <ul style="list-style-type: none"> • According to the Scottish Government taking the cumulative impact over the five years to 2014-15 the UK Government will have reduced the Scottish welfare bill by over £4.5 billion • Will have concentrated impact in some neighbourhoods
Committee: Economy, Energy and Tourism Committee Local Government and Regeneration

11. Issue: Reductions in benefits for those no longer receiving Incapacity Benefit or Disability Living Allowance
Impact: <ul style="list-style-type: none"> • Less income to local authorities from charging for care services • Increased demand for care services
Committee: Local Government and Regeneration

12. Issue: reduced income for claimants for housing, energy, food
Impact: <ul style="list-style-type: none"> • Increased demand on GP services • Increased hospital admissions
Committee: Health and Sport